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ABSTRACT

Described in this paper are strategies and programs developed by the Control Data Corporation to address inner-city needs. Strategies cited include the establishment of new plants in economically depressed areas and the encouragement of local community support in business operations. Specific programs discussed are directed at the disadvantaged populations of inner cities and are concerned with unemployment, part-time employment, child development, community cooperation, computer based education, career counseling, health care for Indians, lower cost energy sources, and urban revitalization. Emphasis is placed on the need for community support and cooperation. (EB)

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Technology for The Inner City- Experience & Promise

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TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC) AND USERS OF THE ERIC SYSTEM."

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This address was given to the principals of Chicago United, a consortium of the leading black, white and Latino business leaders of Chicago, on September 1, 1978.

To have the opportunity to review with you Control Data's strategy, experiences, ongoing plans and perspectives relative to solving inner city problems is particularly pleasing. Because of your successes in training and creating employment for inner city disadvantaged and with other programs, I don't feel that I run the risk of losing my audience for lack of detail. Instead, I feel challenged to be able to move fast enough to cover all that needs to be said.

Control Data's strategy is to approach inner city and other societal problems with the objective that solutions can be turned into profitable business opportunities, with an appropriate sharing of cost between business and government. Where the resources for solving problems are beyond those of a single company, as most are, we try to pool them through cooperative projects or joint venture companies.

"Control Data's strategy is to approach inner city and other societal problems with the objective that solutions can be turned into profitable business opportunities..."

Control Data adopted this strategy some twelve years ago. It has been pursued vigorously and has proven sound. Although we undertake some social programs, because they are the "right thing to do", we view the major, unmet needs of society as opportunities to pursue profitable business. This is, after all, the basic reason for the existence of business.

The list of society's needs is long. It includes more and cheaper energy; rebuilding of cities; environmental protection; lower food costs; more available and less costly health care; lower cost, more available and higher quality education; better availability of technology, and – most important of all – more jobs, especially more skilled jobs.

Needs to be addressed by Control Data are selected on the basis of a number of criteria, including:

1. The importance of the need to society.
2. Control Data's capabilities to address it.
3. The likelihood that solutions will provide a business opportunity.

With that background in place, I will describe briefly some of our programs that either directly address inner city needs or are especially relevant.

INNER CITY PLANTS

First is our inner city plant program. We have successfully established new plants in three economically depressed areas, a fourth is under construction and construction of a fifth is about to be started. When the fifth is completed, total employment in those plants will reach 1500 persons.

We have succeeded in making our poverty area plants profitable at a level competitive with our conventional operations. At the same time we are serving the interests of each community and providing a path for disadvantaged persons to enter the mainstream of industry.

Planning for the first inner city plant began in 1967 during the time of rioting in the streets of Minneapolis. A site in a black poverty area on the north side of the city was tentatively selected and after many meetings with black leaders in that community and city officials to assure that we would have their support, we decided to proceed. The doors of the plant opened in January of 1968.

We are careful to observe a number of rules that bear heavily on the success of an inner city plant.

First, it is not philanthropy, but clearly a business venture that will return an attractive profit.

Second, the start-up cost is to be viewed in the same way business views research and development for a new product.

Thirdly, there is a total commitment to success that is widely visible, both inside and outside the company. To help assure this, the plant must be new and use the most advanced facilities; and it must make an important product, so that we are as dependent on the plant's success as the people working there. Similarly, first rate management is required.

"...the community has an equal contribution to make to the plant's business in the form of knowledge about the community, its people's problems, potential solutions."

Fourth, the community has an equal contribution to make to the plant's business in the form of knowledge about the community, its people's problems, potential solutions. Community leaders commit themselves to help assure success, and there are clearly established links between them and the company.

Finally, unusual problems are to be solved promptly, not kicked around. Last year the slogan of the Chicago Bears was "whatever it takes". It was this philosophy that drove our early efforts at north side and it is this philosophy that made the plant work.

And sometimes it took a lot. There were plenty of unusual problems in starting up that first plant. One was the opportunity for employees to obtain credit. We solved that by providing loans from our Commercial Credit subsidiary. Another was lack of day care for children, which resulted in absenteeism for mothers who needed to work. I'll talk about our solution to that shortly. People in that community, we found, experienced an unusual amount of legal hassle with landlords and stores, and Monday morning's production would suffer because part of the work force had landed in jail over the weekend. The

solution to that problem was twofold: establish a procedure whereby one of our young lawyers made a trip to the city jail early Monday morning with a book of bail bonds to get people back to work; the other action was to provide more extensive counseling and legal help to solve personal problems and accommodate to the requirements of full-time employment.

Another problem was that of our standard employment form which required a listing of work experience, educational background, references, and arrests and convictions. The average applicant had no experience, no useful references and for some there wasn't nearly enough space on the form to list all of the brushes with the law. The solution was to greatly simplify the form by eliminating those and other requirements so that in essence we were saying we are more interested in your future than in your past.

It cost $2.5 million to bring that plant up to the efficiency level of other plants. The government paid $1 million of that amount, and the $1.5 million that Control Data paid was regarded as the equivalent of research and development for a product. Considering that we now have an efficient production operation with average tenure at more than 5 years, and considering what we have learned, the pay off is a handsome one – comparable to product R&D.

NORTHSIDE CHILD DEVELOPMENT CENTER

At the time the northside plant began operation there were no child care facilities in the neighborhood. Also, many of the residents were female heads-of-households with young children. Clearly child care had to be provided if the most urgent employment needs were to be served. So we enlisted the support of the community and got a day care center started in a vacant eighty-year-old school building. One of the leaders in that effort was none other than Bob McGregor.

"...we enlisted the support of the community and got a day care center started in a vacant eighty-year-old school building."

In 1976, the center moved into a new building, specifically designed as a child development center. It was built with 90% private funds and loans from local firms.

The center provides care for more than 130 children, ages 6 weeks to 13 years. Trained personnel conduct a carefully designed program for enriched child development. The program encompasses personal management and social development, physical development, arts and crafts, sciences and black history and awareness. It is an A-One-plus center which I unabashedly proclaim as the finest, bar none.

Northside Child Development Center operates as a non-profit corporation controlled by a board of parents, business people and community leaders. Operating expenses are shared by several Minneapolis businesses, parent donations, local taxes and federal matching funds.

SELBY

While the child development center helped solve the problems of employment for some working mothers, we learned that there were many job seekers who could not meet working hour requirements. These included female heads of households with school-age children as well as high school, vocational and college students in need of income to stay in school or to supplement family income.

To address that problem, early in 1970, we decided to open a plant employing part-time workers to do electronic sub-assembly in the depressed Selby area of St. Paul. Soon after we started the operation, the computer industry suffered a downturn. Hence the need for Selby's products was reduced and the original plan had to be revised by converting the operation into one providing collating, shrink wrapping, round cornering, kit making, tab cutting, heat sealing, packing, wrapping, stitching, labeling, binding and mailing of publications to meet Control Data's internal needs as well as those of other businesses.

"The first shift is mostly made up of mothers of school aged children. The second shift is high school students."

In 1974, a new 15,000 square foot facility at 746 Selby Avenue, built mainly by minority contractors, was opened to accommodate the operation's growth. It was the first new industrial facility to build on a mile-long stretch of Selby's dilapidated commercial strip since a trolley-car power house was erected in 1889.

Selby employment level is at 160 persons. The first shift is mostly made up of mothers of school aged children. The second shift is high school students. The part-time work schedule allows these individuals the opportunity to be employed while meeting their other obligations. The operation has been so successful that it is being expanded and, with an addition to the plant now in process, will go up to 275 employees.

Using part-time workers in a conventional production environment has been proven sound and we are pushing for wider use of part-time workers at other Control Data operations.

Since Selby began, more than 150 employees have left their part-time jobs for more skilled and better paying, full-time employment at other Control Data facilities and Twin Cities companies.

One other aspect of Selby to mention is the catalytic effect it has had on getting revitalization started in the neighborhood. New businesses have opened up – homes are being renovated – and there is a substantial amount of new home building.

PLATO – COMPUTER-BASED EDUCATION

Basic to jobs, however, is education and training. Control Data's

largest program addresses the need for better, more available and lower cost education. Of course, the need for improvement in education is not just confined to the inner city but is nationwide and worldwide.

The only way to make major progress in solving this massive and urgent problem is through the use of advancing technology, such as television, audio/video tapes and satellite transmission coordinated in a network learning system with computer-based education.

Control Data has been engaged in developing PLATO® computer-based education and training for fifteen years. We see computer-based education and other advancing technologies as ultimately having a greater positive impact on inner city living than anything else.

"We see computer-based education and other advancing technologies as ultimately having a greater positive impact on inner city living than anything else."

FAIR BREAK

PLATO computer-based education is central to Fair Break. A Control Data inner city program to prepare young, inner city disadvantaged unemployed persons to get and keep a job and to make jobs more available to them. Our first Fair Break center is now operating in St. Paul and delivering innovative training and employment to inner city youths. The youths will spend an average of four months in the program receiving training in basic skills, job readiness, life management, and job seeking. During the time the youth is involved in Fair Break, he or she will work part-time with Control Data or another firm – to create a source of income and to identify any problems which should be resolved before employment is sought out in the community. The program is being delivered in cooperation with the St. Paul city schools with funds from the St. Paul comprehensive employment and training program.

CAREER COUNSELING

In view of the enormous gap between the need for career counseling in high schools and the number of counselors (the latest ratio I saw was one counselor per thousand students) Control Data is developing a program for a December 1st launch date to address that problem with three existing resources; our employees, PLATO computer-based education and CYBERSEARCH.

Knowing that a substantial number of our employees welcome the opportunity to volunteer for counseling young people, we will provide them counseling training through PLATO which has the advantage that they can take the training at their convenience. We also believe that there are many other persons outside of Control Data who would

volunteer for counseling if given the opportunity. PLATO CB counseling training will be available at any of our 50 learning centers. Economically and practically it is only possible to make a massive increase in counseling resources with computer-based training.

CYBERSEARCH is a computer-based employment service that has a large data base of available jobs. This information at the finger tips of each counselor, is of course a key element in the most effective counseling.

ROSEBUD

An effort that will ultimately find important application in the inner city is our program to improve Indian health care on South Dakota's Rosebud Indian Reservation. Control Data has worked with tribal leaders to apply computer technology and managerial resources to dramatically improve health care delivery. Previously, one small hospital was responsible for the care of 8,500 native Americans. Those who required care had to travel up to 130 miles to get it and the number of professional staff was woefully inadequate to the task. Significant improvements have been evident since Control Data's medical van began traveling the reservation providing care to 900 residents per month. In addition, four clinics have been established and Indian paramedics have been trained. All this was accomplished with a front-end investment from Control Data's corporate social responsibility funds.

"... there is still urgent need for further improvement at Rosebud and even more at most other reservations where health care isn't only poor but is shamefully poor."

Even though substantial improvement has been made at Rosebud, there is still urgent need for further improvement at Rosebud and even more at most other reservations where health care isn't only poor but is shamefully poor.

The next phase of the program is to teach self health care to avoid illness through the use of PLATO computer-based education. This is a gargantuan task, but it is the only possible way to ever bring about the needed improvement in Indian health.

Control Data is committed to a large-scale effort to help bring about the necessary change in health care through training, not only for American Indians, but for all. And we have the dedication and we can marshal the resources of other companies and the government to ultimately achieve that goal.

TECHNOTEC

The development of solutions to society's problems is diminished when

proven technology is not replicated, and this has certainly been the case in urban efforts. The successful problem-solving technologies of one city or one neighborhood might never be applied in another setting. Control Data's TECHNOTEC service addresses this problem. It is a worldwide computer-based communications system for collecting and helping to transfer technology. Although all types of technology are stored in the data base, priority is placed on solar energy, agriculture, food processing and urban technology. In agriculture emphasis is placed on technology for small family farms, including urban farming, and small-scale food processing, because we believe that they offer the best means in the future to reduce food costs and increase production.

"A host of new technologies, such as lower cost energy sources and lower cost and energy-efficient construction are required for better inner city living."

A host of new technologies, such as lower cost energy sources and lower cost and energy-efficient construction are required for better inner city living. Many already exist and are being stored in TECHNOTEC. Easier access to needed technologies will be especially helpful to small enterprises which will play an important role in rebuilding neighborhoods and commercial centers and in providing many other services. Participation in small enterprises gives control to residents of the inner city and provides them the long-absent economic opportunity and incentives for success. And a revitalization process founded on diverse profitable enterprises rather than dependent upon a host of public programs will be a principal means of rebuilding a community which can become self-sufficient and responsive to changing needs from within.

BUSINESS AND TECHNOLOGY RESOURCE CENTERS

Because of the importance of small business in creating and maintaining a solid base for urban revitalization, a new program at Control Data focuses on facilitating small business formation and operation in the inner city through business and technology resource centers.

A business and technology resource center is a business engaged in providing various combinations of consulting, shared facilities and services for facilitating the successful start-up and growth of small businesses.

A cluster of buildings containing flexible laboratory and office space is subdivided and leased to small businesses. Also contained within the buildings are the centrally shared facilities and services including library, model shop, clean rooms, drafting, accounting, purchasing and legal services, and a complete range of computer services, including technology locating and transfer services and computer-based education.

Economies of scale will make it possible to provide occupants needed facilities and services of much higher quality for considerably lower cost than each one would be capable of providing alone. Benefits will also be obtained from the enhanced environment for peer interchange.

"...a new program at Control Data focuses on facilitating small business formation and operation in the inner city through business and technology resource centers."

It is intended that computer-based education will not only provide a wide range of courses, including management training, accounting and compliance with federal trade commission regulations, but also enhanced collaboration and technology interchange with universities and government laboratories.

A roster of professional consultants, including university faculty members, will be maintained.

There will be an important element of social service involved in that the professional consultants, both from business and academia, will provide a certain percentage of time free of charge in helping would-be entrepreneurs to prepare plans.

We are in the process of selecting four cities in which to place resource centers. Since Control Data by itself will not be able to meet the demand, we will arrange to franchise small-business persons to operate centers.

COMMUNITY COOPERATION OFFICE

Obviously, a business and technology resource center needs a high degree of community support in order to be successful. As with inner city plants, Control Data will not undertake a resource center without a commitment for full support by the community and an organized way of providing it. Support includes an appropriate piece of land at a reasonable price, CETA funds for training and seed money for new companies.

It is my belief that the most effective manner for a community to provide seed money is through the type of organization that Control Data and others are establishing in Minnesota. We call it a "Community Cooperation Office for Small Business".

It is a non-profit corporation that is supported by private contributions. The board of directors are leaders from all the major sectors of society – business, labor, church, government, academia non-profit, etc. The permanent staff is small and is supplemented with volunteers having the professional expertise that is required in the many different fields in which the small businesses will be engaged.

The modus operandi is simple. An inventor has an idea for a new product or service, and wants to start a company to develop and market it. Financial backing from the usual sources is not available; venture capitalists are usually not interested in unproven ideas.

The Community Cooperation Office provides assistance. A volunteer team of experts is assembled from local business and universities to review the idea, and if sound, to help in the preparation of a business plan and in the prompt completion of the many other steps in setting up a business. Since there is substantial risk, the initial capital is spread among a number of investors, including all types of businesses, banks, insurance companies, larger industrial companies, venture capitalists, plus labor unions, religious organizations and local civic and government units.

CITY VENTURE CORPORATION

Next I will briefly describe a consortium in which Control Data is participating along with a number of other companies with relevant experience and commitment to urban revitalization.

The consortium is called "City Venture Corporation" and it is being formed to:

(A) Plan and manage the implementation of innovative, comprehensive and constructive programs aimed at revitalizing existing urban areas and creating new innovative cities; and

(B) Assemble the full range of new and advancing technology (including that from both the physical and social sciences) necessary for the effective solution of urban problems.

The corporation will market its services to communities and to state and federal agencies and demonstrate that the building and rebuilding of American cities can be profitable enterprises.

"...there is no entity capable of planning, financing and implementing a holistic long-term solution to complex, urban problems."

Currently there is no entity capable of planning, financing and implementing a holistic long-term solution to complex, urban problems. There has been relatively little long-range urban planning and no risk taking with creative and experimental alternatives. Rather, the programs have been fragmented and crisis reactive.

The initiative must come from the business community. City Venture Corporation, representing a broad cross-section of relevant industries, will harness the needed technologies and resources and other resources and manage large-scale urban programs to achieve better urban living.

I am pleased to tell you that one of the most innovative architects of our time and a Chicagoan, Bertrand Goldberg, is one of the founding members.

STOCKHOLDER SUPPORT

There is much more that I could say about City Venture Corporation; however, I will use the remaining time to review stockholder reactions to Control Data's strategy which on balance is highly positive. The most recent information came from the results of the May stockholders meeting. Before describing them I need to provide further background.

From virtually day-one of Control Data's inner city plant program and thereafter, I have been meticulous in reporting plans and programs to stockholders. During the course of these programs Control Data has been confronted with severe problems which have had adverse impact on profitability even to the extent of causing a loss position for 1974. For most of the years Control Data paid no dividend to stockholders, and it wasn't until 1977 that the first cash dividend – a small one of 15¢ per share – was paid. It was increased to 25¢ in 1978.

"...one might conclude that under those circumstances stockholders would take a dim view of a strategy addressing social problems as business opportunities..."

Offhand, one might conclude that under those circumstances stockholders would take a dim view of a strategy addressing social problems as business opportunities, where the pay-off is often longer term and sometimes well into the future.

But that was not the reaction of the majority of individual stockholders. Sure, there was the occasional letter from a stockholder demanding that the company pay dividends with the money being used for the programs to help solve societal problems, or that the best thing that could happen to Control Data would be a takeover by another company who would then throw me out.

At the same time I received many more stockholder letters expressing approval of the programs and also wishing the company better times and hoping for a cash dividend down the road.

Even though there were more letters from stockholders who were supportive, I couldn't be sure of the position of the vast majority who were silent . . at least not until last May when I believe the answer became clear.

In order to better protect the employees, stockholders and other stakeholders of Control Data from the injustices accompanying hostile takeovers, a proposal was submitted for the approval of stockholders to amend the company by-laws to make it mandatory that the directors consider all social factors, not just price, in an attempted takeover. The proxy stated that the result of such an amendment might strengthen the position of current management.

Over 95% of the individual stockholders of Control Data voted in favor. That to me is a clear endorsement of our strategy – otherwise they would not have been willing to give management more power of any kind.

This experience is consistent with those of a recent Gallup poll showing that 89% of the people in inner cities wanted to help solve inner city problems, both through contribution of personal time as well as money. As an aside, I want to add that those are people I particularly welcome as Control Data stockholders.

CONCLUSION

I will conclude with the observation that business has for too long been living in the past, preoccupied with doing things in the traditional way. Meanwhile, the world has changed. The problems and needs of the U.S. industrial society today are different from those of the 19th century or the first half of the 20th.

"Business needs to be reminded that the fundamental reason for its existence is to deliver the goods and services that society needs."

This is reflected in the growing controversy in recent years between the "social" responsibility of business and the "profit" responsibility of business. Business needs to be reminded that the fundamental reason for its existence is to deliver the goods and services that society needs. In our system, profits are essential to the continuation of business, but society may decide that the business system itself is not essential unless it becomes more responsive to society's real needs.

While business has been mainly ignoring the major problems of society, the government has demonstrated its inability to cope successfully with them alone so they are growing to disastrous proportions.

So it is time that business responds. And I believe that the experiences I have cited indicate that the average individual corporate stockholder will not only support response but encourage it. I also believe that the most stable, enduring and profitable business opportunities will result from such a strategy.

Thank you.